

The Facts About . . .

# ACE-Net

The Angel Capital Electronic Network

[www.ace-net.org](http://www.ace-net.org)

ACE-Net is an Internet-based securities-listing service. It is a dynamic, interactive response to the expressed needs of small business entrepreneurs, angel investors, accountants and securities attorneys.

ACE-Net provides an unprecedented opportunity for entrepreneurs seeking equity financing in the range typically too low to attract most venture capitalists -- \$250,000 to \$5 million. It enables entrepreneurs to reach accredited investors (known as "angel investors") with a net worth exceeding \$1 million or annual income greater than \$200,000.

Angels want to invest in a company by purchasing shares of stock and often want to share their extensive business expertise. ACE-Net allows angels to search for companies from around the country that are listed on the system without giving up their own privacy. The uniform disclosure document required of all companies on the system makes it easier for attorneys and accountants of entrepreneurs and angel investors alike to submit and retrieve information. Additionally, ACE-Net permits companies listing offering materials on the system to take advantage of several federal and state securities exemptions. These exemptions can significantly reduce the cost of securities offerings without adversely affecting critical investor protections.

ACE-Net transforms what was the informal angel investment community into a nationwide system for entrepreneurs and investors to meet. The program is a public/private partnership between not-for-profit local network operators (typically university- or state-based entrepreneurial development centers) and the U.S. Small Business Administration's Office of Advocacy.

## ACE-Net for Entrepreneurs

If you are an entrepreneur looking for equity dollars, ACE-Net can provide you with an expanded opportunity to offer securities to private investors. Using Internet technology, the network creates an electronic list of securities offerings from small businesses around the country. This costs less than traditional private placement offerings and saves time due to a streamlined process that has already been approved by federal and many state securities regulators.

ACE-Net provides the busy entrepreneur with "one-stop-shopping" for information, 24 hours a day, 7 days a week, 52 weeks a year. You can learn about conferences, meetings and programs of interest as well as important legislative information, rules, and terms and conditions affecting the entrepreneurial investment community.

In addition, the ACE-Net Web site provides a disclosure document recognized by 48 states that entrepreneurs can complete with a minimum of expert support. Using ACE-Net, you can sell stock in a growing number of states without preregistering with those states. You file and pay fees only after you secure the capital.

## ACE-Net for Angel Investors

As an angel, you recognize the worth of a good investment; you also value your privacy. ACE-Net uses the highest security-encryption software permitted to provide you with full anonymity while you search for investment opportunities. The entrepreneur will not be aware of your interest until you contact the company directly.

Not only has ACE-Net reduced the paperwork and regulatory burdens encountered during traditional private placement investments, it also takes advantage of the new efficiencies provided by the Internet. Using ACE-Net's search engine and e-mail systems, you can quickly search for specific types of businesses, markets, investment amounts, geographic locations and other characteristics of the businesses. In addition, you will automatically receive an e-mail from any company that joins ACE-Net and meets your investment criteria. Today, about 250,000 angels invest \$20 billion annually in approximately 30,000 small businesses. Estimates suggest that five to 10 times as many individuals have the wealth, entrepreneurial experience and interest in becoming angel investors. Until ACE-Net, there was no nation-wide, centralized listing service identifying small, dynamic, growing companies for angels to investigate and examine.

## ACE-Net for Accountants & Securities Attorneys

Companies thinking of joining ACE-Net need the advice of securities attorneys and accountants to assist in the preparation of their offerings and business plans. Designed in response to your recommendations, ACE-Net provides educational programs to help new entrepreneurs and angel investors better understand the issues they need to discuss with their attorneys and accountants. ACE-Net operates under a no-action letter issued by the staff of the Securities and Exchange Commission on October 25, 1996. Companies listed on ACE-Net can use the SEC's revised small business exemptions (under Regulation A and Regulation D, Rule 504) and recently adopted state securities small business exemptions. In April 1997, the North American Securities Administrators Association adopted a Model Accredited Investor Exemption for stock offerings to accredited investors. In states that have adopted the model language, ACE-Net companies have minimal regulatory burdens. With the revised exemptions from the SEC and NASAA, a growing number of both law and accounting firms see ACE-Net as an effective and efficient way of helping entrepreneurs and angels attain their goals and fulfill their dreams.

For more information about the SEC no-action letter, visit the ACE-Net Web site at **[www.ace-net.org](http://www.ace-net.org)**. Some of the details you will find on the ACE-Net Web site include --

- the model terms and conditions of securities offerings;
- detailed search engines for angel investors to find entrepreneurs, including specific searches for minority- and women-owned businesses;
- a national schedule of events of interest to entrepreneurs and investors, including meetings and conferences sponsored by service providers such as securities attorneys and accountants;
- information about the angel capital market;
- links to other home pages relevant to ACE-Net and to the investors and entrepreneurs that make up the network; and
- enrollment information and forms for becoming a part of ACE-Net.

## ACE-Net Network Operators

The network operators are not-for-profit organizations with years of experience helping entrepreneurs and investors. With ACE-Net, they are expanding this important service to a national audience. You can find a list of the network operators on the ACE-Net Web site under "Contacts."

Resources for the Investor & Entrepreneur

### **The U.S. Securities and Exchange Commission**

- Web site: [www.sec.gov](http://www.sec.gov)
- Phone: 202-942-2950

(Office of Small Business Policy)

**North American Securities Administrators Association**

- Web site: [www.nasaa.org](http://www.nasaa.org)
- Phone: 202-737-0900

## For More Information

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under “U.S. Government” in your telephone directory, or contact:
- Phone: 1-800 U ASK SBA
- Fax: 202-481-6190
- E-mail: [answerdesk@sba.gov](mailto:answerdesk@sba.gov)
- TDD: 704-344-6640
- Your rights to regulatory fairness: 1-888-REG-FAIR
- Internet  
SBA Home page: <http://www.sba.gov>  
Gopher: <http://www.sba.gov/gopher>  
U.S. Business Advisor: <http://www.business.gov>

### **SBA Partners**

Inquire at your local SBA office for the location nearest you.

- Business Information Centers -- BICs
- Tribal Business Information Centers -- TBICs
- One Stop Capital Shops -- OSCSs
- Service Corps of Retired Executives -- SCORE
- Small Business Development Centers -- SBDCs
- U.S. Export Assistance Centers -- USEACs
- Women’s Business Centers -- WBCs

### **Publications**

- The Facts About ... SBA Publications -- a listing of free SBA publications

### **Did you know that in fiscal 2000 the SBA –**

- backed a record of nearly \$18 billion in financing to America’s small businesses?
- approved more than 50,400 small business loans totaling almost \$12.4 billion?
- made more than 4,600 investments worth \$5.6 billion through its venture capital program -- a 33 percent gain over fiscal 1999?
- provided more than 28,000 loans totaling approximately \$1 billion to disaster victims for residential, personal-property and business loans?
- extended management and technical assistance to an estimated 1.23 million entrepreneurs through its resource-partner programs?
- responded to almost a quarter million telephone and e-mail inquiries at the SBA Answer Desk?

**Did you know that America's 25 million small businesses --**

- employ more than 58 percent of the private work force?
- generate more than 51 percent of the nation's gross domestic product?
- are the principal source of new jobs?

*All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.*

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